

## DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: KRISTINE SASSER  
DEPUTY ATTORNEY GENERAL**

**DATE: JULY 12, 2013**

**SUBJECT: IDAHO POWER'S APPLICATION FOR A CPCN FOR THE  
INVESTMENT IN SELECTIVE CATALYTIC REDUCTION CONTROLS  
ON JIM BRIDGER UNITS 3 AND 4, CASE NO. IPC-E-13-16**

On June 28, 2013, Idaho Power Company filed an Application with the Commission for a Certificate of Public Convenience and Necessity (CPCN) pursuant to *Idaho Code* § 61-541. The Company seeks authorization of its investment in Selective Catalytic Reduction (SCR) controls in Jim Bridger Units 3 and 4 and inclusion of the investment in Idaho Power's rate base once the SCR controls are installed and operational. The Company requests that the Commission issue an Order approving the CPCN no later than November 29, 2013.

### THE APPLICATION

The Company's Application states that it owns one-third of the Jim Bridger coal-fired power plant (Jim Bridger Plant) located near Rock Springs, Wyoming. PacifiCorp owns the remaining two-thirds and is the operator of the Jim Bridger Plant. The Application explains that the Plant consists of four generating units and is adjacent to the co-owned Jim Bridger Coal Company Mine, which supplies approximately six million tons per year of sub-bituminous coal to the Plant. Application at 2. Idaho Power further states that the Plant currently employs approximately 350 personnel.

Idaho Power maintains that the Jim Bridger Plant is the "workhorse" of Idaho Power's thermal fleet. *Id.* at 3. The Application states that, after adjustment for scheduled maintenance periods and estimated forced outages, the annual energy generating capability of Idaho Power's share of the Jim Bridger Plant is approximately 625 average megawatts. The

Company further asserts that this Plant has the lowest dispatch cost and the lowest installed cost of nameplate capacity to operate of any other project in Idaho Power's thermal generation fleet. Idaho Power stresses that the Jim Bridger Plant not only provides highly valuable capacity during periods of peak demand, but also low cost and dispatchable baseload energy. *Id.*

Idaho Power's Application requests that the Commission issue a CPCN authorizing the Company to invest in and construct SCR systems and associated ancillary equipment for Jim Bridger Units 3 and 4 (the Project). The Application explains that each SCR system would be comprised of two separate universal reactors, with multiple catalyst levels; inlet and outlet ductwork; a shared ammonia reagent system; an economizer upgrade; structural reinforcement of the boiler and flue gas path ductwork and equipment; and extension of the existing Plant distributed control system. *Id.* The Application states that an induced draft fan upgrade and an associated auxiliary power system variable frequency drive insertion are required on Unit 4 only. According to the Company, these emission control investments in SCR systems and associated ancillary equipment will result in the reduction of nitrogen oxide emissions in compliance with existing state and proposed federal emission requirements. *Id.*

Idaho Power explains that the BART Appeal Settlement Agreement with the State of Wyoming and the Wyoming Regional Haze State Implementation Plan (SIP) require the installation of SCR on Unit 3 by the end of 2015 and on Unit 4 by the end of 2016. On May 23, 2013, the United States Environmental Protection Agency (EPA) recommended approval of the Wyoming Regional Haze SIP for installation of SCR on Units 3 and 4 in 2015 and 2016, respectively. The Application states that the EPA has indicated it will sign a notice of final rulemaking on November 21, 2013, making the emission reduction requirements on Units 3 and 4 federally enforceable. Consequently, if the environmental upgrades are not installed within the time frame given by the State of Wyoming or the EPA, Idaho Power maintains that it would be forced to stop generating from these units. *Id.* at 4.

Idaho Power prepared the Coal Unit Environmental Investment Analysis to determine the economic viability of installing the Jim Bridger Plant SCRs. The Coal Study analyzed the SCR investment at Jim Bridger Units 3 and 4 as part of a larger analysis conducted for all four units at the Plant and the two units at the North Valmy plant. The Coal Study supports upgrading Units 3 and 4 with emissions control equipment to allow ongoing coal-fueled energy production as the least-cost, least risk outcome for customers. *Id.* at 5.

The Application identifies the total cost of the Project (before Allowance for Funds Used During Construction – AFUDC) as \$353,843,886. Idaho Power’s one-third share is \$117,947,962 (\$57,649,113 investment in Unit 3 and \$60,298,849 investment in Unit 4 – before AFUDC). The Company’s commitment estimate<sup>1</sup> for its portion of the Project is \$129,837,393 – which includes \$11,889,431 in AFUDC. Based on a high-level jurisdictional revenue requirement analysis and Idaho Power’s current jurisdictional allocation between Idaho and Oregon, Idaho Power estimates that Idaho’s addition to production plant would be approximately \$60.2 million for investments at Unit 3 and approximately \$64 million for investments at Unit 4. *Id.* at 8. The Application states that, at the Company’s currently authorized rate of return, the additional annual revenue requirement for SCR investments in Units 3 and 4 would be approximately \$9.1 million and \$9.7 million, respectively. *Id.*

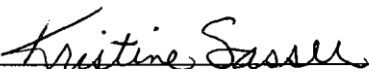
Pursuant to *Idaho Code* § 61-541, Idaho Power requests that the Commission provide authorization and a binding commitment to provide rate base treatment for the Company’s capital investment in SCRs at Jim Bridger’s Units 3 and 4 in the amount of \$129,837,393. The Company is requesting that the Commission issue a final Order approving the CPCN by November 29, 2013.

### **STAFF RECOMMENDATION**

Staff has reviewed the Application and recommends that the Commission issue a Notice of Application setting a 14-day deadline for intervention. After the deadline for intervention has passed, Staff will convene a prehearing conference with the parties and then recommend further procedure to the Commission.

### **COMMISSION DECISION**

Does the Commission wish to issue a Notice of Application setting a 14-day intervention deadline?

  
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Kristine A. Sasser  
Deputy Attorney General

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<sup>1</sup> The Application states that the Company’s commitment estimate is a good faith estimate of Idaho Power’s total capital cost, including AFUDC, and additional costs the Company anticipates it will incur but cannot quantify with precision at this time. Application at 7.